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GSU Economic Forecasting Project Newsletter

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Monthly Projections
for Early April

MARCH WAS A RECESSION MONTH

Whether the economic weakness that was so apparent in March will signal the beginning of a recession remains to be seen. There is no question, however, that economic activity declined significantly in March. First, the index of hours worked dropped by almost 0.5%. The manufacturing workweek fell below 40 hours per week for the first time since April 1979. Employment declined by 140,000 as measured by payroll employment or by 297,000 as measured by household estimates. Even sensitive industrial prices declined sharply, by 2.2% in March. While credit constraints established by the Federal Reserve were responsible for some of the reduction in activity, March probably would have showed negative growth even if no anti-inflation program was forthcoming.

By the end of March, domestic auto sales were running only slightly above 6 million at annual rates and domestic auto producers were not anticipating producing more than 7 million at annual rates through the spring season. Also, housing sales in February reached a level 9% below the January and December rates and below the lowest sales month for 1974. Furniture sales also begin to soften noticably toward the end of the month. Thus, the long awaited recession appears to have begun.

Assessment of Administration Anti-Inflation Initiatives

If a recession was beginning even before the Administration proposed its anti-inflation program, the timing of a dramatic increase in the full employment budget surplus and the introduction of credit controls along with more restrictive portfolio behavior by the Federal Reserve is unusually unfortunate. Apparently, the Administration believes that by offering a one-time balanced budget for fiscal year 1981, the markets automatically will reduce their price pressures in calendar year 1980. Certainly, an administration that has shifted positions several times on economic matters, introducing a revised budget less

than two months after a preliminary budget had been introduced, should not expect that its announcement of a balanced budget will immediately change inflationary anticipations. Indeed, anticipations probably will not change until reality begins to fall short of currently formulated anticipations. While such conditions probably will begin to develop late in the spring and in the early summer months of 1980, it is unlikely that significant reductions in inflationary anticipations will occur before the restricted forces from the revised budget for FY 1981 are being felt. Certainly, the restricted forces from the credit control program and increased taxes from the import fees and the withholding on dividends and interests (if enacted) will be felt prior to any revised estimates of inflationary anticipations. As a result, the induced slowdown in economic activity will largely fall on the volume of goods and services and on the level of employment.

The budget cutting moves by the Administration can be classified in three groups: intercept changes that do not change the rate of budget expansion, changes in the responsiveness of the budget to economic conditions, and shifts in the timing of budgetary expenditures. Actual reductions in intercept values on the budget expansion path are relatively modest. They include $1.7 billion of general revenue sharing, another $0.5 billion for local revenue sharing, some elimination of LEAA grants and a few other program curtailments. Changes in the responsiveness of the budget to economic conditions are virtually nonexistant. The only important change is the shift from bi-annual to an annual indexing for government retirees and foodstamp recipients. Most of the remaining programs, from deferral of the petroleum reserve to freezes on hiring to changes in expenditures from the highway and air trust funds should be viewed as expenditure delays rather than expenditures reductions. They will reduce budgetary pressures in FY 1981 but only at the expense of adding to budgetary needs in FY 1982 and beyond. Since deferrals constitute the bulk of budgetary restraints, the FY 1982 and FY 1983 budget may, in fact, be even larger than prior to these current revisions by the Administration. A balanced budget may be achieved in FY 1981 but is unlikely to persist in FY 1982 and beyond.

On the revenue side, there are some significant changes. First, the import fee which is designed to fall heavily upon gasoline usage will raise $11 billion. However, imports should not grow over time, so the fee itself should not be a continuously rising revenue raiser in subsequent years. Withholding on dividends and interests payments, if approved by Congress, will add revenues for only a single year. Some revenue gains may result from capturing income that previously went untouched but these changes are not substantial.

The budgetary changes are not fundamental changes in the direction of government activity. They reduce government spending in FY 1981 but do not significantly alter the problems outlined in the enclosed paper on the inflation problem. However, the restraining forces from the import fee will be felt in May. Fiscal restraint will shift dramatically before the end of this spring and will continue to shift dramatically through the remainder of calender year 1980.

The change in reserve requirements for managed funds by Federal Reserve banks and other banks and the requirement to deposit reserves at the Federal Reserve by all credit issuing entities with outstanding debt of more than $2 million has led to a sterilization of $2 billion in potential reserves. In addition, the discussion of credit card restraints appears to have accelerated the demand for currency. Since the beginning of this year, currency has been growing at a 11% annual rate. This currency shift probably has sterilized nearly another $1 billion of potential reserves. The entire impact of this credit restraining activity should be in place before April 14, when the money market funds are required to deposit 15% on any deposit increases in their funds. The banking system adjusted to these restrictions by April 2. Thus, except for open market operations, the administered shift in the supply of money was completed early in April. If these changes lead to reduction in the demand for economic activity, as we expect, interest rates may already have peaked.

In addition to the reserve changes and some modest tightening in the supply of Federal Reserve liabilities to the monetary system, as evidenced by a slowing in the growth of the monetary base to a 7.7% annual rate in recent weeks, the Federal Reserve has asked the banking system to restrain their growth in commercial and industrial loans to the 6-9 percent range. In 1979, these loans grew 13% and were growing at a 16% rate in the fourth quarter. Thus, commercial banks are requested to sharply curtail the growth of loan activity. Given the significant volatility in long-term debt instruments and the unprofitability of consumer loans, the burden of this restraining forces will fall upon real estate and consumer durable loan activity. Thus, the weak sectors of the economy will weaken further. A serious question can be raised about whether a further $1 billion reduction in activity in these weak industries will have the same restraining effect upon inflation as a $1 billion reduction in activity over all industries. For that reason, it appears that the credit restraints will have an unusually modest impact upon slowing underlying inflation while substantially aggravating already seriously slowing trends in the automobile and housing industries. Furthermore, the timing of these restraints probably is extremely unfortunate.

Certainly, if a recession already was beginning, these shifts in fiscal and monetary policies are exactly the inappropriate programs to set in place at the present time. They will reduce inflation by more than otherwise would have occurred, but their anti-inflation impact is relatively modest. On the other hand, they exacerbate an already developing weakness in real economic activity. Anyone who believes that a mild recession is the most likely event as long as these programs remain in place is anticipating conditions that are unlikely to develop.

Monthly Highlights
March 1980

Personal income, +0.6%; disposable income, +0.5%; industrial production, -0.4%; housing starts, -8.5%; housing permits, -9.3%; construction expenditures, -2.5%; durable goods orders, -0.5%; orders for nondefense capital goods, +1.3%; business inventories, +1.4%; CPI, +1.3%; merchandise trade deficit (old basis), -$4.05 billion; leading indicators, -1.8%.

Monthly Highlights
April 1980

Payroll employment, -55,000; hours worked, -0.2%; unemployment, 6.4%; personal income, +0.7%; disposable income, +0.7%; retail sales, -0.7%; auto sales, 9.0 million; industrial production, -0.3%; housing starts, -5.4%; housing permits, -6.6%; construction expenditures, -2.8%; durable goods orders, +0.3%; orders for nondefense capital goods, -0.4%; business inventories, +1.3%; CPI, +1.2%; PPI, +1.2%, merchandise trade deficit (old basis), -$3.62 billion; leading indicators -0.9%; M-1B, +7.9%; M-2, +8.5%.

Current Profile of GNP

	% Change 1980-1	% Change 1980-2	% Change 1980-3	% Change 1980-4
Change in Real Output	+0.2	-2.9	-2.9	-1.4
Price Deflator	10.2	9.7	8.9	9.7
Nominal GNP	10.4	6.4	5.7	8.2

Commentary

Employment

Virtually all the decline in payroll employment during March was concentrated in the construction industry. Weakness was apparent also in building materials and auto activity but this weakness was offset by modest gains in the service sector. The degree of weakness registered for payroll employment and the 0.5% decline in the index of hours worked may be overstated as a result of a return to more normal seasonal conditions following unusual seasonal factors during the winter. Nevertheless, the decline in the workweek in manufacturing seems to suggest that weakness is beginning to intensify. In addition, the index recording the percentage of firms experiencing increases in employment fell below 50%. Also, household employment declined by 297,000 with the bulk of this reduction occurring for the male segment. The male head-of-household had now increased in unemployment by nearly a percentage point in the last 4 months. This strongly suggests that economic conditions are weakening significantly.

The bad news in the employment reports for March was a surge in the hourly earnings index by 1.0% during the month to a level 8.8% above previous year levels. This is the highest year over year increase during this inflationary cycle. Of course, the magnitude of the shift may be caused by poor seasonals in earlier months, but the trend definitely is toward a modest wage explosion.

Personal Income and Outlays

The March estimate of personal income should not be very high as a sharp decrease in hours worked offset more than half the increase in the hourly earnings index. In addition, farm incomes are continuing to drop sharply. Because of an upward revision in property income, the estimate of personal savings was revised upward in the February report to a level of 3.4% for January. While the savings rate apparently declined marginally in February, current evidence suggests that it grew substantially in March. Indeed, personal outlays in March probably declined modestly from February levels.

Seasonals probably accounted for some of the continued erosion in retail sales in March. Certainly, the absence of any expansion in the dollar value of nondurable sales probably was caused by a shift in seasonal patterns. On the other hand, the plunge in auto sales appears to be more fundamental. While retail sales in the first quarter grew 10.4% above fourth quarter levels, the March figure was 1.4% below the quarterly average. Thus, a definite slowing in the growth of retail sales almost certainly should develop in the second quarter.

Construction

Single-family housing sales in February have fallen to 539,000. Inventories continue to appear very light, but the sharp erosion in sales has now increased the months of sales contained in existing inventories to 9.2 months. Thus, further erosion in construction activity is anticipated. In addition, hours worked in the construction industry fell 7% in March. Since nonresidential construction probably did not decrease, this suggests that housing starts declined by even more than 7%.

After 3 months of no change, the implicit deflator for construction expenditures increased by 1% in February. It now appears that inflation in the construction sector will be growing near double-digit rates despite weakness in housing sales during the second quarter. Residential construction is falling by $2 billion per month from its December peak. In addition, public construction is beginning to drop back from its January high. In both cases, seasonal factors may have overstated the magnitude of construction spending. For that reason, a sharp drop in construction expenditures cannot be ruled out in March. While private nonresidential and public construction may resume their rates of increase during the spring quarter, residential construction probably will accelerate its rate of decline. By the summer months, all construction may be trending downward. For this reason, it appears that construction expenditures may fall nearly $10 billion below amounts forecasted in February before the bottom of the construction cycle is reached late in the fall quarter.

Business Activity

Manufacturing inventories are beginning to grow more rapidly than anticipated in the February forecast. Obviously, a substantial portion of this increase in caused by the rapid acceleration of inflation for industrial commodities. Nevertheless, a modest inventory problem seems to be developing. In January, the last month for which data is available, business inventories grew at a relatively modest rate as a result of declines in inventories of retail establishments. By March, however, these inventories are expected to grow very dramatically. This suggests that a modest inventory problem probably exists at the present time. On the other hand, the worst of the inventory accumulation may already be upon us.

Shipments of capital goods have increased dramatically during the winter months. Orders, on the other hand, have showed little growth. This suggests that shipments ought to slow before the end of the second quarter. Moreover, a sharp downward revision in shipments of defense goods for January strongly suggests that the dramatic increases everyone has been expecting for defense activities may not materialize. Thus, even capital goods industries should be experiencing economic weakness by the end of the second quarter.

Financial Markets

Sharp increases in inventories have exerted a sharp upward pressure upon commercial loans. However, the Federal Reserve actions of mid-March are moving to restrict the growth of those loans. If those pressures are successful, and they appear to be somewhat constraining, the demand for loanable funds may begin to recede by mid-April. Since the supply constraints upon credit markets should be completed, short-term interest rates could begin to decline before the end of the month. Because the recession now appears to be more severe than we originally thought and because inflationary pressures are receding slightly more rapidly than previously had been expected, interest rates in short-term markets may fall much more sharply than had been anticipated. On the other hand, short-term rates are far above values forecasted during February. Thus, we expect that the prime rate will fall only to 14% by the end of 1980 but continue to decline to the vicinity of 11% sometime in 1981. Corporate AAA bonds may actually fall below double-digit rates toward the end of 1981. All evidence suggests that interest rates have peaked.

Stock Market

The stock market needs to determine whether interest rates will fall more sharply than earnings. If interest rates are able to unwind rapidly, the stock market could rally modestly from current levels. However, the more likely event is that earnings will begin to plunge rapidly as IVA becomes a smaller factor in corporate earnings and as operating rates decline drastically. As a result, financial analysts probably will be revising downward their estimates of corporate profits for the remainder of 1980. At least into the summer months, these downward revisions may

be more unsettling to the stock market than the favorable prospect of declining interest rates. For that reason, a test of the 740 level on the Dow Jones probably is likely. By the end of summer, however, the conditions of falling interest rates should prove to be more beneficial than the continuing downward trend of corporate earnings. Thus, a sustained rally in the stock market may develop some time in the summer, but the current value of equities appears to be too high for the earnings conditions that are unfolding.

Employment

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	89982	89982	125.8	125.8	97474	97474	5.9	5.9	234.9	234.9
November	90100	90100	126.3	126.3	97608	97608	5.8	5.8	237.3	237.3
December	90231	90241	126.7	126.6	97912	97912	5.9	5.9	239.3	239.5
January	90536	90652	126.7	127.1	97804	97804	6.2	6.2	239.8	240.5
February	90602	90774	126.9	126.5	97918	97953	6.3	6.0	241.5	242.5
March	90668	90634	127.0	125.9	98032	97656	6.3	6.2	243.2	245.0
April	90875	90579	125.8	125.6	98305	97743	6.2	6.4	245.3	246.9
May	90878	90462	126.6	125.2	98408	97703	6.3	6.5	246.8	248.7
June	90881	90294	126.4	124.7	98511	97594	6.4	6.7	248.4	250.3
July	90915	90237	126.5	124.4	98543	97557	6.4	6.8	250.0	251.9
August	90973	90186	126.5	124.2	98576	97539	6.5	7.0	251.9	253.9
September	91031	90104	126.5	123.9	98609	97462	6.6	7.2	253.8	255.5
October	91055	90073	126.5	123.8	98653	97443	6.7	7.3	255.0	257.2
November	91086	90068	126.5	123.9	98722	97459	6.7	7.4	257.2	259.3
December	91117	90095	126.6	124.1	98791	97486	6.8	7.4	258.9	261.2
Jan. 1981	91145	90129	126.7	124.3	98846	97503	6.9	7.5	260.7	263.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	1.979	1.981	1.257	1.257	61.9	62.5	1.663	1.665	1.601	1.603
November	2.000	2.006	1.271	1.271	60.9	59.7	1.678	1.683	1.618	1.624
December	2.023	2.028	1.282	1.283	44.9	57.0	1.695	1.701	1.650	1.644
January	2.036	2.045	1.290	1.291	48.3	59.4	1.714	1.727	1.666	1.667
February	2.055	2.052	1.301	1.299	51.9	57.6	1.729	1.733	1.677	1.675
March	2.073	2.064	1.311	1.309	53.5	68.8	1.743	1.742	1.690	1.673
April	2.090	2.078	1.320	1.316	56.0	77.5	1.756	1.754	1.700	1.676
May	2.107	2.097	1.326	1.321	57.6	80.4	1.769	1.769	1.711	1.689
June	2.122	2.112	1.332	1.324	59.2	79.3	1.781	1.781	1.722	1.701
July	2.153	2.143	1.341	1.329	70.5	94.4	1.808	1.811	1.738	1.717
August	2.171	2.159	1.351	1.337	66.3	83.5	1.822	1.824	1.755	1.741
September	2.189	2.172	1.361	1.342	62.9	80.4	1.835	1.834	1.772	1.754
October	2.209	2.190	1.378	1.357	67.3	80.1	1.849	1.848	1.782	1.768
November	2.222	2.207	1.383	1.366	64.3	79.4	1.860	1.860	1.796	1.781
December	2.236	2.222	1.390	1.375	64.3	73.9	1.871	1.873	1.807	1.799
Jan. 1981	2.250	2.239	1.398	1.385	64.7	73.8	1.881	1.883	1.818	1.810

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

RETAIL SALES

	Retail Sales		Non Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
October	75.61	75.58	11.45	11.22	9.4	9.4	50.14	49.93	14.02	14.44
November	76.18	76.42	11.23	11.16	9.6	9.6	50.93	50.74	14.02	14.52
December	77.02	77.15	11.40	11.33	10.5	10.5	51.36	57.21	14.26	14.62
January	78.18	79.46	11.60	11.58	11.5	11.6	51.78	52.20	14.80	15.69
February	78.35	78.21	11.58	11.44	10.5	10.7	52.12	51.63	14.65	15.15
March	78.69	77.22	11.59	11.51	9.5	10.1	52.63	51.67	14.47	14.05
April	78.89	76.67	11.63	11.57	9.3	9.0	53.03	52.13	14.23	12.97
May	79.10	77.30	11.64	11.63	9.2	8.8	53.44	52.79	14.02	12.88
June	79.39	77.67	11.66	11.68	9.2	8.6	53.92	53.23	13.81	12.76
July	80.04	78.31	11.69	11.73	9.2	8.7	54.48	53.64	13.87	12.98
August	80.75	79.55	11.86	11.91	9.2	8.9	54.95	54.21	13.94	13.43
September	81.48	79.99	11.88	11.85	9.2	9.0	55.46	54.52	14.14	13.62
October	81.74	80.60	11.80	11.92	9.0	8.9	55.93	55.11	14.01	13.57
November	82.36	81.11	11.90	12.01	9.1	8.9	56.31	55.41	14.15	13.63
December	82.67	81.97	11.91	12.07	9.0	9.0	56.65	55.95	14.11	13.95
Jan. 1981	83.03	82.39	11.95	12.12	9.1	9.0	56.99	56.27	14.23	14.00

INDUSTRIAL PRODUCTION

	Industrial Production		Capacity Utilization	
	Fore.	C. E.	Fore.	C. E.
October	152.3	152.2	84.9	84.6
November	151.8	152.1	84.4	84.3
December	152.2	152.2	84.4	84.0
January	152.2	152.7	84.2	84.1
February	152.4	153.0	84.1	84.1
March	152.3	152.4	83.8	83.4
April	151.3	151.9	83.0	82.7
May	150.1	151.2	81.8	82.0
June	149.3	150.5	81.0	81.3
July	149.0	150.1	80.6	80.9
August	148.8	149.7	80.3	80.4
September	148.5	149.3	80.0	80.0
October	148.3	149.1	79.7	79.5
November	148.0	149.0	79.3	79.2
December	147.8	149.1	79.1	79.0
Jan. 1981	147.7	149.0	78.7	78.7

Fore. = February
C. E. = Current
N. C. = No Change Computed

HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	1.762	1.710	1.161	1.139	1.542	1.542	238.4	238.7	115.8	115.7
November	1.522	1.522	0.966	0.980	1.263	1.263	237.4	237.7	114.7	114.5
December	1.527	1.517	0.972	1.036	1.204	1.244	239.6	242.0	115.8	116.6
January	1.473	1.424	0.963	1.006	1.210	1.264	239.8	250.0	114.9	120.4
February	1.451	1.334	0.936	0.774	1.194	1.163	238.9	242.1	113.3	115.4
March	1.429	1.229	0.909	0.692	1.183	1.064	238.0	236.2	111.8	111.6
April	1.306	1.166	0.852	0.657	1.062	0.998	235.8	229.8	110.1	107.6
May	1.249	1.073	0.786	0.595	1.006	0.892	234.7	225.3	109.0	103.8
June	1.258	1.065	0.720	0.612	1.022	0.843	233.6	225.4	107.9	103.3
July	1.286	1.124	0.783	0.673	1.057	0.851	234.1	226.4	107.3	103.1
August	1.331	1.216	0.838	0.748	1.116	0.966	234.7	227.6	106.6	102.9
September	1.415	1.255	0.893	0.793	1.186	1.013	235.3	229.2	106.0	102.8
October	1.389	1.285	0.862	0.830	1.174	1.038	237.0	231.6	106.2	102.9
November	1.420	1.352	0.889	0.890	1.201	1.097	239.2	234.1	106.5	103.3
December	1.451	1.342	0.916	0.863	1.235	1.087	241.4	236.3	106.8	104.2
Jan. 1981	1.483	1.386	0.947	0.884	1.268	1.116	243.3	238.5	107.1	104.2

HOUSING CONTINUED

	Private Non Residential		Public Construction		Residential Construction	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	86.3	85.3	52.9	52.8	99.2	100.7
November	86.4	84.7	51.9	51.9	99.1	101.1
December	88.6	87.9	51.2	52.1	99.8	102.0
January	88.7	90.9	51.8	59.4	99.3	99.7
February	88.8	89.1	52.5	55.2	97.6	97.8
March	88.9	88.3	53.2	53.4	95.9	94.5
April	90.6	89.3	53.1	52.7	92.1	87.8
May	91.4	90.1	53.6	52.9	89.7	82.3
June	92.2	90.9	54.1	53.3	87.3	81.2
July	93.0	92.1	54.5	53.9	86.6	80.4
August	93.4	92.6	54.8	54.4	86.5	80.6
September	93.8	93.4	55.1	54.7	86.4	81.1
October	94.5	93.6	55.6	55.0	85.9	83.0
November	95.3	94.1	56.0	55.1	87.9	84.9
December	96.1	94.7	56.4	55.4	88.9	86.2
Jan. 1981	96.9	95.0	56.8	55.8	89.9	87.7

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-defense Capital Goods Orders		Non-defense Capital Shipments	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	223.5	223.5	76.40	76.66	20.78	21.00	20.02	20.10
November	226.2	226.2	75.42	75.42	21.42	21.42	19.60	19.60
December	228.1	228.1	76.67	77.75	22.77	22.86	20.17	20.22
January	230.3	232.0	78.43	82.03	22.95	23.87	20.21	21.02
February	232.7	234.5	76.13	81.98	21.63	21.93	20.26	21.34
March	235.3	237.5	75.87	81.57	21.42	22.22	20.31	21.54
April	238.1	240.6	75.26	81.82	21.09	22.13	20.53	21.83
May	240.4	242.3	76.12	79.97	21.15	21.62	20.73	21.69
June	242.7	244.7	76.85	79.63	21.27	21.43	20.93	21.72
July	245.0	246.7	77.71	78.41	21.53	21.03	21.15	21.53
August	246.9	248.5	80.15	78.02	23.41	21.32	21.07	21.46
September	248.6	250.4	79.92	78.93	22.28	21.67	20.99	21.61
October	249.7	252.0	80.68	79.41	22.73	21.81	21.18	21.75
November	251.4	253.5	81.21	78.86	23.15	21.62	21.37	21.84
December	253.0	255.1	81.59	80.11	23.39	22.11	21.56	22.01
Jan. 1981	254.6	256.6	81.92	80.16	23.52	22.29	21.74	22.13

	Business Inventories		Defense Shipments	
	Fore.	C. E.	Fore.	C. E.
Oct. 1979	421.1	421.2	3.01	3.01
November	434.2	424.4	3.14	3.14
December	427.9	426.3	3.23	3.18
January	431.5	431.5	3.24	3.19
February	435.3	434.5	3.25	3.19
March	439.8	442.0	3.26	3.24
April	444.2	447.7	3.32	3.30
May	447.9	451.6	3.38	3.37
June	452.7	456.0	3.44	3.43
July	455.3	459.7	3.47	3.47
August	458.8	463.2	3.51	3.50
September	462.9	466.7	3.55	3.53
October	464.9	469.7	3.60	3.52
November	468.3	472.5	3.65	3.57
December	471.7	475.5	3.70	3.64
Jan. 1981	474.4	478.3	3.75	3.70

Fore. = February Forecast
C. E. = Current Expectations

PRICES

	CPI (unadjusted)		PPI Finished Goods		PPI-Industrial Commodities (unadjusted)		Agricultural Prices (unadjusted)		IVA Corp. (annual rate)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
October	225.4	225.4	223.7	223.7	248.5	249.0	236	236	53.5	50.5
November	227.5	227.5	225.9	225.9	250.2	250.6	238	238	44.3	47.6
December	229.9	229.9	227.8	227.8	252.8	252.8	238	238	42.9	51.9
January	232.5	233.2	230.9	232.1	256.9	260.3	237	236	53.1	54.4
February	234.8	236.4	233.0	235.4	260.2	265.4	240	238	54.2	63.2
March	237.1	239.2	235.2	238.2	263.5	268.2	241	234	55.3	60.9
April	239.9	242.1	237.8	241.2	267.1	271.7	249	232	50.6	57.3
May	242.8	245.0	240.6	244.2	270.8	274.3	251	237	45.5	53.1
June	245.7	247.2	243.3	246.3	274.5	277.6	260	245	40.4	51.4
July	247.9	249.4	245.5	248.3	277.2	280.5	267	253	39.6	49.1
August	250.2	251.7	247.6	250.5	279.3	282.9	264	260	38.4	46.3
September	252.5	253.7	249.9	252.4	281.4	285.3	269	260	37.2	40.2
October	254.3	255.7	251.7	254.2	284.4	288.0	264	263	34.1	37.9
November	256.1	258.0	253.4	256.5	287.3	290.7	261	259	33.2	36.5
December	257.9	260.0	255.1	258.3	290.2	293.6	264	262	32.3	33.8
Jan. 1981	259.7	262.4	256.9	260.7	293.1	296.5	267	266	30.9	31.9

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		Estimated GNP Deflator	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
October	-2018	-2018	138.4	138.6	2428	2440	1434	1439	1.6832	1.6960
November	-1420	-1620	136.6	136.0	2456	2459	1437	1441	1.7091	1.7059
December	-3080	-2920	136.6	135.6	2483	2472	1445	1441	1.7183	1.7157
January	-3055	-3600	136.9	135.2	2502	2501	1445	1443	1.7312	1.7332
February	-3099	-4137	137.3	134.9	2519	2521	1445	1442	1.7437	1.7478
March	-3143	-4056	136.6	132.5	2535	2534	1444	1438	1.7556	1.7623
April	-3329	-3620	135.7	131.3	2551	2547	1440	1435	1.7713	1.7755
May	-3428	-3512	135.2	130.7	2565	2559	1437	1430	1.7846	1.7900
June	-3527	-3619	134.6	129.9	2582	2568	1435	1426	1.7992	1.8002
July	-3411	-3463	134.1	129.7	2597	2581	1433	1422	1.8121	1.8146
August	-3373	-3274	134.5	130.8	2614	2596	1433	1421	1.8237	1.8267
September	-3335	-3345	135.4	131.3	2633	2605	1434	1416	1.8355	1.8399
October	-3026	-3274	136.5	132.0	2654	2629	1431	1415	1.8543	1.8582
November	-2975	-3129	137.1	132.3	2673	2644	1433	1414	1.8659	1.8699
December	-2924	-3092	137.9	133.0	2692	2662	1434	1415	1.8769	1.8819
Jan. 1981	-2865	-3143	138.6	133.4	2712	2681	1435	1415	1.8879	1.8943

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

FINANCIAL MARKETS

Monetary

	Base		MI-B		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	152.5	152.3	N.C.	383.9	N.C.	1507.2	13.77	13.77	11.47	11.47
November	152.7	152.7		385.9		1514.5	13.18	13.18	11.87	11.82
December	153.7	154.0		387.7		1523.8	13.78	13.78	12.07	11.84
January	155.1	155.0		389.1		1532.8	14.02	13.82	12.20	11.84
February	155.7	156.1		392.8		1546.6	14.39	14.13	12.39	12.86
March	156.3	156.9		392.0		1549.9	14.76	16.66	12.58	15.10
April	157.6	157.6		394.5		1560.5	14.65	18.97	12.55	14.11
May	158.8	158.5		396.8		1572.6	14.61	17.86	12.51	13.36
June	159.7	159.3		398.7		1585.3	14.57	17.09	12.47	13.01
July	160.6	160.1		400.7		1594.3	13.49	16.41	11.53	12.47
August	161.6	161.0		402.9		1606.8	12.64	15.29	10.95	12.29
September	162.5	161.8		404.8		1617.9	11.79	14.43	10.37	12.01
October	163.5	162.7		407.1		1628.3	11.36	14.01	10.16	11.68
November	164.5	163.6		408.5		1643.9	11.05	13.61	10.09	11.42
December	165.4	164.5		410.3		1655.4	10.69	13.27	10.02	11.30
Jan. 1981	166.3	165.4		412.0		1667.6	10.27	12.93	9.73	11.16

	Aaa (Seasoned)		Municipals		Commercial Paper		90 Day CD'S		Prime Rate	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Oct. 1979	10.13	10.13	7.08	7.08	13.09	13.09	13.53	13.53	14.39	14.39
November	10.76	10.76	7.30	7.30	13.62	13.57	14.00	13.90	15.55	15.55
December	10.74	10.74	7.22	7.22	13.17	13.24	13.43	13.43	15.30	15.30
January	11.21	11.09	7.51	7.35	13.63	13.04	13.92	13.39	15.45	15.25
February	11.77	12.38	7.89	8.16	14.05	13.78	14.29	14.30	15.93	15.63
March	12.33	12.96	8.32	9.17	14.53	16.76	14.72	17.55	16.12	18.01
April	12.05	12.82	8.07	9.04	14.62	16.95	14.91	17.73	16.38	19.38
May	11.92	12.09	7.96	8.34	14.60	16.63	14.85	17.46	16.35	18.96
June	11.79	12.02	7.90	8.27	14.58	16.09	14.72	16.67	16.21	18.22
July	11.63	11.79	7.73	8.02	13.74	15.73	13.99	16.29	15.45	17.81
August	11.47	11.53	7.59	7.84	12.91	14.93	13.11	15.49	14.72	17.04
September	11.31	11.49	7.47	7.80	12.03	14.09	12.36	14.68	14.02	16.24
October	11.15	11.38	7.36	7.69	11.55	13.76	11.84	14.11	13.25	15.54
November	11.05	11.30	7.29	7.57	11.26	13.53	11.49	13.98	13.03	15.39
December	10.95	11.14	7.17	7.46	10.82	13.15	11.09	13.67	12.42	15.08
Jan. 1981	10.82	10.99	7.06	7.34	10.52	13.01	10.75	13.43	12.00	14.83

Fore. = February
C. E. = Current Expectations
N. C. = No Change Computed